



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 3, 2008

**March 16, 2009 Update -
Palms submitted a Corrective
Action Plan on 12/17/08
(See attached)**

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **PALMS RESIDENTIAL CARE FACILITY CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND
CARE SERVICE PROVIDER**

We completed a fiscal review of Palms Residential Care Facility (Palms or Agency), a Department of Public Health (DPH) HIV/AIDS prevention and care service provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with Palms to provide HIV/AIDS residential care, substance abuse/rehabilitation care, housing assistance, community development and faith-based services. The Agency employs 41 staff and operates four facilities with the capacity to provide inpatient housing and substance abuse treatment to 67 individuals. Palms' facilities are located in the Second Supervisorial District.

At the time of our review, Palms had six contracts with OAPP. The County paid Palms approximately \$2.1 million for three fixed-fee (or fee-for-service) contracts and approximately \$450,000 for three cost reimbursement contracts. Both types of contracts required the Agency to comply with the Ryan White Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements to the extent that they include federal funds. The following chart lists contract number, type, funding source and amount for each of the six contracts.

Program	Contract No.	Term	Contract Type	Funding Source	Amount
Faith-Based	H700183	1/05-12/05	Cost Reimbursement	Federal	\$150,000
Community Development Initiative	H300564	7/05-6/06	Cost Reimbursement	Federal (80%) County (20%)	\$200,000 \$50,000
Capacity Building	H700823	7/05-6/06	Cost Reimbursement	County	\$50,000
Adult Residential	H700967	3/05-2/06	Fee-for-Service	Federal	\$288,598
Substance Abuse/Residential Rehabilitation	H700968	3/05-2/06	Fee-for-Service	Federal	\$192,094
Residential Care Facility for the Chronically Ill	H700988	3/05-6/06	Fee-for-Service	County	\$1,633,083

Purpose/Methodology

The purpose of our review was to determine whether Palms appropriately charged OAPP for services provided in accordance with the County contract. We also evaluated the adequacy of Palms' accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the CARE Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, the areas of non-compliance noted in this review are significant and indicate that Palms has a limited capacity to comply with the County contract and account for program funds. In addition, Palms lacked sufficient internal controls over basic business processes to ensure program assets were safeguarded and that program funds were used in accordance with the County contract. Specifically:

- Some of the documentation that Palms provided to support specific expenditures appeared to have been altered. For example, subsequent to our meeting with Palms in June 2008, the Agency provided copies of nine checks to support their health insurance expenditures. The checks were made payable to the Agency's health care provider. However, the check amounts listed on the copied checks did not match the check amounts that cleared the Agency's bank account. Palms indicated they have closed their bank account because of fraudulent activity and will not obtain the original checks from the bank to resolve this issue. Palms also indicated that they would not authorize the Auditor-Controller to obtain the information from the bank as we had requested. Palms subsequently

provided copies of additional business checks with identical check numbers from the same bank account that they claimed supported the health insurance payments. However, the total amount of the additional checks did not match the health insurance expenditures. As a result, the validity of the documentation that the Agency submitted to support health insurance expenditures is questionable due to the conflicting documentation that the Agency provided during the course of this review.

On September 25, 2008, Palms provided copies of 1099 Miscellaneous Income forms (1099's) that they indicated were issued to 28 consultants for Tax Years 2005 and 2006, as reportable federal and State income taxes. Our review noted the social security numbers listed on six (13%) of the 46 1099's did not match the taxpayers' social security numbers. For one taxpayer with reported income of \$218,000 in Tax Year 2005 and \$220,000 in Tax Year 2006, the social security number listed on the 1099 belonged to an individual that past away in 2007 and the name of the individual on the 1099 did not match the social security number.

Palms also provided invoices to support several expenditures for facilities repairs/maintenance that appeared to be the same as other original invoices but had been photocopied with only the dates and the dollar amounts changed. Lastly, some cash receipts that the Agency provided for food purchases had the receipt dates removed. As a result, we were unable to reconcile the receipt dates to the transaction dates and questioned Palms ability to match the receipts to the specific transactions we selected.

- The Agency's accounting records did not accurately report their actual financial activity. From January 2005 to July 2006, approximately \$2.5 million in deposits and approximately \$454,000 in withdrawals listed on the Agency's monthly bank statements were not recorded in the Agency's financial records. In addition, from March 2005 to June 2006, Palms did not record approximately 2,000 issued business checks in their check register. The Agency also underreported a number of check amounts recorded in the Agency's check register. For example, the Agency reported one check cashed for \$15,000 as \$1,000 in their accounting records.
- Palms did not maintain documentation to support approximately \$581,000 in program expenditures.
- The Agency charged OAPP approximately \$58,000 for expenditures not related to program services (e.g., 576 ash trays and 17,500 bath mats, etc.).
- The Agency claimed current liabilities and notes payable totaling \$272,550. The Agency provided four promissory notes; three notes were to the Executive Director's business partner for \$50,000 each, and one note was to the Executive

Director for \$122,550. However, the Agency did not provide documentation that the funds were actually received and deposited.

- Palms did not always record the revenue they received from the County in their financial records or deposit the funds in their bank account. For example, the Agency received \$6,399 in program revenue and approximately \$29,871 in client fees from residents. Palms' Accountant stated that the resident fees were kept at each residential facility and used as petty cash to purchase food, gas and any other items for the facility.

DPH agrees that Palms' actions are very serious and agrees with the recommendations in this report. DPH has also indicated that there is a significant need for residential and substance abuse treatment services for persons living with HIV/AIDS in South Los Angeles and there are no other contractors providing these services in that area. DPH maintains that there is no evidence that Palms has provided substandard care to its clients. DPH has also indicated that the current Faith-Based service contract expires December 31, 2008, and the department is initiating a solicitation process to identify new providers and services to begin in the Spring of 2009. The Community Development Initiative and Capacity Building contracts have already ended.

Based on Palms' submission of altered documents to support program expenditures, the Agency's lack of proper internal controls over basic business processes, the amount of undocumented and unallowable program expenditures and inaccurate accounting records, we recommend that DPH not expand the scope of any existing contracts with Palms. We also recommend that DPH not increase contract funding amounts or enter into any new contracts with Palms until the Agency has implemented the recommendations contained in this report, including paying DPH \$128,547 which is further discussed below.

DPH also indicated they may consider enhancing management and oversight of Palms contracts during an immediately instituted probationary period. During this probationary period, DPH should consider requiring Palms to hire an independent accounting firm approved by DPH to manage all financial record-keeping (including general ledger postings, revenue receipts and financial reconciliations) for County funded contracts. The probationary period would continue until Palms has satisfactorily demonstrated compliance with all generally accepted accounting principles and County contract requirements.

Other Issues

As indicated earlier, we found significant areas where Palms did not comply with the County contract including inappropriately using program funds for non-program related activities and not maintaining documentation to support program expenditures. As a result, we questioned these costs which total \$639,695. This includes expenditures

totaling \$128,547 related to cost reimbursement contracts and expenditures totaling \$511,148 related to fixed-fee contracts. Palms management disagreed with the questioned costs related to the fixed-fee contracts identified in our report. They indicated that they fulfilled the contract requirements by providing the required units of service. Palms also claimed that the County contract does not provide for repayment to the County unless the agreed upon units of service are not delivered by Palms.

We believe that Palms is required to comply with the fiscal contract requirements for both fixed-fee and cost reimbursement contracts, including spending program funds in program related services and maintaining proper documentation.

County Counsel indicated that the Palms' cost reimbursement contracts contained language that would allow the County to recover disallowed and undocumented expenditures but the fixed-fee contracts did not contain such provisions. However, County Counsel also indicated that the County has other remedies such as terminating the contract or negotiating with the Agency to repay the funds.

Auditor-Controller recommends that DPH work with County Counsel to amend Palms' fixed-fee contracts and include language to allow the County to recover funds related to disallowed and undocumented program expenditures. In this instance, DPH should consider negotiating a line item budget for the fixed-fee contracts and validate budget costs against actual costs during the year-end cost reporting period. Further, the Auditor-Controller has requested County Counsel to reevaluate all County fixed-fee contracts and ensure that the contracts include language to allow the County to recover funds related to disallowed and undocumented program expenditures.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Palms on June 25, and September 25, 2008, and provided Palms with additional clarification on the unsupported and inadequately documented expenditures. We allowed Palms multiple opportunities to provide additional documentation to support their expenditures. At the September 25, 2008 meeting, Palms provided additional documentation including cancelled checks and copies of 1099's for the 2005 and 2006 tax years issued to their consultants.

As noted above, it appeared that some of the additional documents provided by Palms had been altered such as checks issued for payment of health insurance. Palms also provided inappropriate documents such as 1099 Miscellaneous Income forms with payee names and social security numbers that did not match. As a result, we question the credibility of all the documentation provided by Palms.

As of September 18, 2008, Palms reimbursed OAPP \$70,833 of the \$128,547 in disallowed expenditures related to the cost reimbursement contracts. In addition, Palms indicated that they would submit a corrective action plan to OAPP within 45 days that identify the steps the Agency plans to take to implement the recommendations contained in this report.

Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Raymond G. Fortner, Jr., County Counsel
Kevin Pickett, Executive Director/President Palms Residential
Public Information Office
Audit Committee

**HIV/AIDS PREVENTION CARE SERVICES
FISCAL YEAR 2006-2007
PALMS RESIDENTIAL CARE FACILITY**

ELIGIBILITY

Objective

Determine whether Palms Residential Care Facility (Palms or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for sixteen participants that received services in May 2006 and June 2006 for documentation to confirm the participants' eligibility to receive program services.

Results

The case files for five (31%) of the sixteen participants did not adequately document that Palms screened the participants for Medi-Cal, private medical insurance or other third party payers prior to receiving program services as required by the County contract. Clients are eligible for services after a financial screening has been completed validating that OAPP funds are the payer of last resort for the clients' care.

Recommendation

1. **Palms management ensure client files contain documentation indicating that clients are screened for Medi-Cal, private medical insurance and other third party payers, as appropriate.**

CASH

Objective

Determine whether cash receipts are properly recorded in the Agency's accounting records and deposited timely into the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash, and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed Palms' bank account statements and bank reconciliations from March 2005 to June 2006.

Results

Palms did not appropriately complete monthly bank reconciliations. The Agency provided schedules that they claimed were the bank reconciliations. However, the schedules did not reconcile bank transactions to the Agency's financial records. In addition, the schedules were not prepared by an individual who was independent of other cash related responsibilities or approved by an appropriate level of management.

Recommendation

2. **Palms management ensure bank reconciliations are properly prepared within 30 days of the bank statement date by someone with no cash handling or bookkeeping responsibilities and reviewed by an appropriate level of management.**

REVENUE**Objective**

Determine whether revenues are properly recorded and reimbursement claims to OAPP are accurately prepared and calculated. In addition, determine whether fees collected from clients for services provided and third party payments (i.e., private insurance, Medi-Cal or Medicare) are accounted for and reported to OAPP.

Verification

We interviewed staff and reviewed Palms' reimbursement claims sent to OAPP for May and June 2006 and verified the number of days billed to OAPP for sixteen residents. We also reviewed the Agency's bank statements, financial records and client payment ledgers.

Results

Palms did not always record the revenue they received from the County in their financial records or deposit the funds in their bank account. For example, for May and June 2006, the Agency received \$6,399 in program revenue and approximately \$29,871 in client fees from the Residential Care Facility for the Chronically Ill (RCFCI) residents. The funds were not deposited in the Agency's bank account or recorded in their accounting records. Palms' accountant stated that residential fees are kept at each residential facility and used as petty cash to purchase food, gas and any other items for the facility. The Agency could not provide documentation to support the petty cash expenditures.

The Agency's revenue handling procedures violate basic internal controls and significantly impact the Agency's ability to prevent and/or detect a misappropriation of OAPP program funds.

Recommendations

3. Palms management ensure that all revenues received are deposited into the correct account and recorded in the Agency's financial records.
4. Palms management discontinue using resident fees for petty cash purchases.

EXPENDITURES**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation for non-payroll expenditures billed by the Agency from January 2005 to June 2006. We also reviewed the Agency's cost reports for the periods ending February and June 2006.

Results

Overall, the areas of non-compliance noted in this section are significant and may materially impact future RCFCI rate adjustments. Palms' accounting records were substantially incomplete and did not accurately reflect the OAPP programs' financial activity. Palms did not provide documentation to support \$581,113 in program expenditures and charged OAPP \$58,582 for unallowable or questionable program expenditures.

Expenditures totaling \$128,547 of the \$639,695 in disallowed and undocumented expenditures are related to Palms' cost reimbursement contracts. The remaining amount (\$511,148) is related to Palms' fixed-fee contracts. Exhibit 1 lists the disallowed and undocumented costs by contract.

Some of the documentation that the Agency provided to support program expenditures appeared to have been altered. Several invoices that the Agency provided to support program expenditures appeared to be the same as other original invoices but had been photocopied with only the date and invoice amount changed.

The following lists the undocumented and the unallowable costs.

Undocumented Costs

- Palms charged the program for \$184,407 in worker's compensation and health insurance costs but could not provide documentation to support the charges. On July 9, 2008, Palms provided copies of cashed business checks that were made payable to their health insurance provider to document Palm's medical insurance expenditures totaling \$47,528. The check amounts matched the amounts listed on the invoices the Agency provided.

Palms provided copies of the cashed checks because they indicated the bank retained the originals. It appeared that the check copies were altered. The check amounts recorded on the copies of the cashed checks did not match the check amounts that actually cleared the bank as reported on the Agency's bank statements. The following are the check numbers, the dollar amounts reported on the copied checks and the amounts for the checks that actually cleared the bank.

Check No.	Amount Per Check Copy	Amount per Bank Statement	Difference
8349	\$5,280.89	\$2,351.34	
8570	\$5,280.89	\$6,264.44	
8775	\$5,280.89	\$2,230.36	
9180	\$5,280.89	\$2,870.29	
9329	\$5,280.89	\$2,870.29	
9411	\$5,280.89	\$2,870.29	
9631	\$5,280.89	\$2,870.29	
9773	\$5,280.89	\$2,870.29	
9774	\$5,280.89	\$2,870.00	
Total	\$47,528.01	\$28,067.59	\$19,460.42

We asked Palms to obtain the original checks from their bank so that we can confirm the actual check amounts and the payees listed on the checks. Palms indicated they closed their bank account because of fraudulent activity and will not obtain the original checks from the bank to resolve this issue. The amounts of the check copies were \$19,460.42 more than the amount shown on their bank statement. Palms also indicated that they would not authorize the Auditor-Controller to obtain the information from the bank as we had requested.

On September 25, 2008, Palms provided copies of 16 additional business checks to support payments made to their health insurance carrier. Two of the 16 checks were issued outside our review period. Nine of the remaining 14 business checks had the same check numbers and were from the same bank account as the nine business checks that Palms previously submitted.

The total amount of the 14 checks (\$44,453) did not reconcile to the amounts listed on the invoices that the Agency previously provided (\$47,528). In addition, the Agency did not explain why the prior checks that appeared altered were

submitted to support the health insurance payments. As a result, the validity of the documentation that the Agency submitted to support health insurance expenditures is questionable due to the conflicting documentation that the Agency provided during the course of this review.

- Palms charged OAPP for food costs totaling \$133,018. However, the Agency did not provide receipts for \$87,203 of this amount. The receipts that the Agency did provide to document \$45,815 in purchases had the receipt dates cut-off. As a result, we could not reconcile the receipt dates to the transaction dates. Palms also charged OAPP \$4,827 for food that they purchased using food stamps.

On September 25, 2008, Palms provided a listing that they received from a discount grocery warehouse to document the Agency's food purchases. The listing identified purchases associated with six personal membership cards during FY 2005-06. Palms did not provide documentation to show these purchases related to the OAPP program. As a result, we did not accept the listing as appropriate documentation.

- Palms charged OAPP \$87,985 for payments made to independent contractors. However, the Agency did not provide invoices, contracts or other forms of documentation detailing the hours charged by the contractors related to OAPP activities, their billing rates or services provided.

On July 3, 2008, the Agency provided documentation that they believed supported the payments made to the independent contractors. However, some of the documentation was previously provided during our initial review and we explained to Palms why the documentation did not sufficiently document the program expenditures. Palms also submitted additional documentation that included invoices from the consultants. However, the invoices did not provide sufficient detail to ensure that program related services were provided. In addition, three consultants each had two contracts with Palms. One contract required the consultants to work 40 hours per week and the second contract required them to work 20 hours per week. Palms did not provide time reports to document the three consultants each working 60 hours per week.

- Palms charged OAPP \$66,896 in various operating costs including utility bills, facility maintenance, gardener fees, printing, postage and program supplies but could not provide documentation to support the charges. On July 7, 2008, the Agency provided documentation that they believed supported the utility and gardening expenditures. However, the documentation was previously provided during our initial review and we explained to Palms why the documentation did not sufficiently document the program expenditures.
- Palms charged OAPP \$45,363 in reimbursements paid to an independent contractor for program related supplies. According to the contractor, the

expenditures were paid on behalf of the Agency with her personal funds. The contractor did not provide documentation to support these expenditures.

- Palms charged OAPP \$30,650 for bookkeeping services. However, the bookkeeper's invoices used to document the charges did not identify the hours worked or the services provided. In addition, the agreement between the bookkeeper and the Agency did not specify the duties that the bookkeeper would perform.
- Palms charged OAPP \$24,348 in mileage and travel expenditures that were not sufficiently documented. The mileage claims did not identify dates, beginning and ending odometer readings, locations and the purpose of trips. Travel charges to Dallas, Atlanta and New Orleans did not document the purpose of the trips. In addition, the Agency did not explain the purpose of the trips. As a result, we were not able to determine whether the charges were reasonable and related to the OAPP program. On July 7, 2008, Palms provided documentation that they believed supported the travel expenditures. However, the documentation did not support the Agency using County funds to reimburse independent contractors to attend conferences in Dallas, Atlanta, and New Orleans or show how the training was a requirement of their Palms' contracts.
- The Agency did not provide documentation to support \$8,446 in linen supplies.

Unallowable Costs

It is unclear whether the following costs were attributed to the CARE Act (federal) or Net County Cost-funded portion of the program.

- Palms overpaid an independent contractor \$17,645. The contractor was required to work a minimum of 40 hours per week or 160 hours a month for an annual compensation of \$52,000. The Agency was billed a flat rate of \$1,000 per week, but there were numerous instances where the contractor worked less than the 40 hours per week (e.g., 7.5 and 11.5 hours per week, etc.) and was paid the full amount. Based on the actual hours worked, Palms overpaid the contractor \$13,645. In addition, the contractor submitted duplicate invoices totaling \$4,000 that covered the same period in previously paid invoices.
- Palms charged OAPP \$11,533 in utilities and telephone costs related to a non-HIV/AIDS service program.
- Palms charged OAPP \$1,540 in gardening services at locations that did not provide OAPP program services and for costs that were for a subsequent contract period.

Non-Program Purchases

During the period of our review, Palms charged OAPP \$27,864 for 3,010 combs, 144 hair brushes, 216 hair picks, 1,547 cans of deodorant, 1,112 toothbrushes, 797 toothpastes, 1,459 shampoo bottles, 30,542 soap bars, 13,000 wrapped cups, 17,500 bath mats, 576 ash trays, 350 match books and 4,000 courtesy bags. The Agency claimed the expenditures were for the clients at the residential care facility. However, the number of items purchased appears to be excessive for a facility that only has 44 beds.

Related Party Lease Payments

Palms charged OAPP \$192,088 in rent payments (from March 2005 to June 2006) paid to related parties. Palms' residential leases consist of two properties that are owned by the Executive Director and two properties owned by the Executive Director and his business partner. The County contract limits the amount the Agency can annually charge OAPP to 2% of each property's acquisition cost. Since Palms did not provide us the acquisition cost for the properties, we can not calculate the amount Palms over billed OAPP.

On June 25, 2008, Palms' Executive Director provided documentation that showed that the title of the properties he owned was transferred to his business partner in October 2007. Even though he is no longer on the title, the Agency's lease back arrangement continues to be with a related party. Therefore, Palms needs to comply with the OMB provisions.

Fixed-Fee vs. Cost Reimbursement ContractsFixed-Fee

As previously noted, the County had six contracts with Palms. Three of the contracts were fee-for-service (or fixed-fee contracts) and Palms was reimbursed a pre-approved flat rate for the units of service provided. The units of service were defined as the daily rate paid for each client that occupied a bed at Palms' adult residential facility which provides 24 hour non-medical care and supervision to clients.

Cost Reimbursement

Under the other three "cost reimbursement" contracts, Palms was reimbursed based on actual program expenditures. The program services included conducting workshops that faith-based organizations attended to increase their involvement to address HIV/AIDS in the African-American community. The contracts also include non-faith based activity.

Contract Requirement

Both types of contracts (six contracts) required Palms to comply with the appropriate federal and State funding requirements such as the Ryan White Comprehensive AIDS Resource Emergency Act or CARE Act and the Office of Management and Budget Circular (OMB Circular) A-122. The CARE Act and the OMB Circular require service providers to maintain proper documentation for the use of these funds as further described below.

The OAPP's Budget Preparation Instructions identified specific expenditures that were not allowable program expenditures for either fee-for-service or cost reimbursement contracts such as basic household items like sheets, towels, blankets, etc. In addition, OMB Circular A-122 identified specific expenditures that were not allowable such as fines, penalties, entertainment expenditures, etc. OMB Circular A-122 also required that for federal funds to be allowed as program expenditures, the expenditures have to be:

- Necessary and reasonable for proper and efficient performance and administration of federal awards.
- Adequately documented.

Auditor's Conclusion

As indicated earlier in this report, we questioned \$639,695 resulting from expenditures that were unallowable and undocumented. Palms was not able to provide sufficient documentation to justify they spent the funds received from the County in allowable program expenditures. Consequently, we originally informed Palms that they should repay the County the total amount of \$639,695.

Palms management disagreed with the questioned costs identified in our report on the basis that the contracts were fee-for-service. They also indicated that they exceeded the contract requirements by providing the required units of service and that the County contract does not provide for repayment to the County unless the agreed upon units of service are not provided by Palms.

We have had several discussions with County Counsel to determine if the County contracts with Palms contained language that allows the County to recover \$639,695 in undocumented and disallowed expenditures. Of the \$639,695, \$128,547 related to cost reimbursement contracts and \$511,148 related to fixed-fee contracts. County Counsel indicated that the cost reimbursement contracts contained language that would allow the County to recover disallowed and undocumented expenditures but the fixed-fee contracts did not contain such provisions.

Our discussions with representatives from the United States Department of Health and Human Services (federal funding source) support the Auditor-Controller's position that contractors that receive federal program funding need to comply with the CARE Act and

OMB Circular A-122. Federal funds must be used for the intended purposes. The County is expected to provide regular program and fiscal monitoring of the contractors receiving federal funds to ensure that costs are documented and allowable. As indicated earlier, the questioned costs we identified in this report were not allowable or documented.

Auditor-Controller recommends that DPH work with County Counsel to amend the fixed-fee contracts and include language to allow the County to recover funds related to disallowed and undocumented program expenditures.

Further, all County fixed-fee contracts should be reevaluated to ensure the contracts include language to allow the County to recover funds related to disallowed and undocumented program expenditures.

Recommendations

- 5. DPH management work with County Counsel to amend the fixed-fee contracts to include language to allow the County to recover program funds related to disallowed and undocumented program expenditures.**
- 6. DPH management determine the impact of the disallowed and undocumented expenditures on future Residential CARE Facility for the Chronically Ill rate adjustments.**
- 7. Palms management repay DPH \$128,547, the amount of undocumented and unallowable program costs related to the cost reimbursement contracts.**
- 8. Palms management maintain supporting documentation for all OAPP expenditures including original vendor invoices and receipts.**
- 9. Provide an explanation for the possible altered invoices related to the facility maintenance and repair.**
- 10. Palms management ensure all independent contractors' agreements indicate the scope of services and deliverables, the number of hours to be worked and an agreed upon rate of compensation.**
- 11. Palms management ensure all independent contractor payments are supported by time and attendance records. Also, invoices should detail the nature of services provided.**
- 12. Palms management ensure mileage reimbursement claims include mileage logs showing dates, destination, the purpose of trip and mileage.**

13. Palms management ensure supporting documentation for travel expenditures includes the date, rates claimed and information detailing the purpose of the trip.
14. Palms management ensure that only costs that are allowable, necessary, proper and reasonable for carrying out the purposes and activities of the OAPP program are charged to the program.
15. Palms management ensure that shared costs are reasonably distributed among the benefiting programs.
16. Palms management recalculate the lease amount based on acquisition cost in accordance with OMB Circular Letter A-122 and repay DPH any amounts over billed.

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with program and administrative requirements.

Verification

We interviewed Palms personnel and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

The Agency's lack of internal controls over its business practices is significant and requires immediate corrective action. Many of the findings noted throughout the report can be attributed to the Agency's lack of internal controls and the comingling of OAPP program funds with non-program funds. Specifically:

Cash

- Palms comingled County funds with the Director's personal funds and funds that the Director received through his other businesses.
- As noted in the Cash Section, the Agency did not complete monthly bank reconciliations.

Reporting Financial Activity

- Palms did not maintain an accounting system to record all financial transactions as required. From January 2005 to July 2006, approximately \$2.5 million in deposits and approximately \$454,000 in withdrawals listed on the monthly bank statements were not recorded in the Agency's financial records.
- The Agency reported current liabilities and notes payable totaling \$272,550. The Agency provided four promissory notes; three notes were to the Executive Director's business partner for \$50,000 each and one note was to the Executive Director for \$122,550. The contract accountant stated the four promissory notes related to funds that the individuals loaned to the Agency. However, the Agency did not provide documentation that the funds were actually received and deposited.
- Palms did not record all issued checks in their payroll check register. From March 2005 to June 2006, Palms did not record approximately 2,000 checks. We selected a sample of 135 checks and confirmed that the checks cleared the Agency's bank account and should have been recorded in the Agency's financial records.
- The Agency did not accurately record the check amounts in their accounting records. We noted numerous instances where the check amounts that were recorded in the Agency's accounting records were less than the actual check amounts. For example, the amount of one check that cleared the bank was \$15,000, but the Agency recorded the check amount of \$1,000 in their accounting records.

Cash Disbursements

- As previously indicated, each residential facility maintained a petty cash account inappropriately funded with the residential fees. In addition, the Agency did not establish accountability over the petty cash fund. For example, the Agency can not identify the amount of each fund or provide documentation to support disbursements from the petty cash funds.
- The Executive Director prepared and signed checks made payable to him including his own payroll checks. In addition, he was the only authorized check signer. A second signature was not required on checks. The County contract requires two signatures on all checks. The second signer should be someone independent from the cash receipts and disbursements processes.
- The blank check stock was kept in an unlocked drawer that was easily accessible to all employees.

Board of Directors

- The Board of Directors is comprised of five members. However, the Executive Director is also the Board's president which is not allowed. In addition, the contract accountant is the Board's vice president. As vice president, the accountant also performed duties commensurate with those of a Chief Financial Officer (e.g., approving loans, signing contractor agreements, etc.) for the Agency.

Recommendations**Palms management:**

17. **Ensure that OAPP funds are kept separate and not commingled with other funds.**
18. **Establish a petty cash fund to pay for small incidental items and maintain documentation to support expenditures.**
19. **Implement an integrated accounting system to ensure that all the Agency's financial transactions are recorded.**
20. **Provide OAPP an explanation for the checks that were unrecorded or were recorded for the incorrect amounts.**
21. **Establish a chart of accounts for classifying transactions by program and activity.**
22. **Hire qualified accounting staff or obtain outside professional accounting services to ensure the accounting records and financial reports are prepared timely and accurately.**
23. **Ensure the blank check stock is kept secured at all times.**
24. **Require two signatures on all checks. Ensure that the second signer is someone independent from the cash receipts and disbursements processes.**
25. **Require Palms' Board of Directors to designate an alternate check signer, preferably a Board member other than the Director to sign checks issued to the Executive Director.**
26. **Ensure the Board of Directors is composed of directors in accordance with the California Corporations Code so that their oversight is independent and they can perform their fiduciary duties in an independent and objective manner.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Palms' fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and that the assets are accurately accounted for and adequately safeguarded.

Results

Palms did not maintain complete fixed asset and equipment records. Therefore, we could not determine whether fixed assets and equipment purchased by Palms with OAPP funds were used for the program and were adequately safeguarded.

Recommendation

27. Palms management prepare a fixed asset/equipment listing to account for fixed assets and equipment purchased with OAPP funds.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures for eleven employees to the payroll records and time reports for June 2006. We also reviewed the eleven personnel files.

Results

Overall, the Agency's staff maintained timecards to report the staff hours worked. The Agency also maintained personnel files for their staff. However, Palms did not accurately prepare Tax Year 2005 and 2006 1099 Miscellaneous Income forms (1099's) for their independent contractors. The 1099's identified the amount of taxable income that the taxpayers earned that Palms reported to the federal and State taxing agencies. The 1099's were provided to the taxpayers in order for them to accurately report earned income on their tax returns.

On September 25, 2008, Palms provided copies of 1099's that they indicated were issued to 28 consultants for Tax Years 2005 and 2006. Our review of the 1099's noted a number of discrepancies that called into question the validity of the documentation:

- The social security numbers listed on six (13%) of the 46 1099's did not match the taxpayers' actual social security numbers. For one individual that had reported rent income of \$218,000 in Tax Year 2005 and \$220,000 in Tax Year 2006, the social security number listed on the 1099 did not match the name and belonged to an individual that past away in 2007.
- The amount of compensation reported on one of the 46 1099's did not match the amount of compensation reported on a 1099 that the Agency previously submitted for our review for the same taxpayer covering the same tax year.

Recommendation

28. **Palms management submit revised 1099 Miscellaneous Income forms for Tax Years 2005 and 2006 to the appropriate federal and State agencies using the correct taxpayers' social security numbers and provide DPH with copies of the forms submitted.**

COST ALLOCATION PLAN

Objective

Determine whether Palms' Cost Allocation Plan was prepared in compliance with the County contract and that the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed Palms' Cost Allocation Plan and reviewed the Agency's cost reports for the contract periods ending March and June 2006.

Results

The Cost Allocation Plan developed by Palms is appropriate. However, Palms did not use the plan to allocate shared costs among its programs. As indicated in the Expenditures Section of this report, the Agency charged utilities and telephone costs entirely to the OAPP contracts. In addition, as noted in the Contract Compliance and Internal Control Section, Palms did not separate expenditures by program.

Recommendation

29. **Palms management allocate expenditures on a monthly basis in accordance with its Cost Allocation Plan.**

**HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
FISCAL YEAR 2006-2007
PALMS RESIDENTIAL CARE FACILITY**

<u>Program Expenditures</u>	Faith Based H700183 (1)	Community Development H300564 (1)	Capacity Building H700823 (1)	Housing (2)	Total
Unsupported:					
Workers Comp	\$ 1,392			\$ 98,862	\$ 100,254
Health				84,153	84,153
Food				133,018	133,018
Independent Contractors	54,000	32,985		1,000	87,985
Operating Expenditures	5,050	16,824		45,022	66,896
Program Supplies				45,363	45,363
Bookkeeping			2,750	27,900	30,650
Linens				8,446	8,446
Travel/Mileage	2,850	12,696		8,802	24,348
Unsupported Subtotal	\$ 63,292	\$ 62,505	\$ 2,750	\$452,566	\$ 581,113
Unallowable:					
Program Specialist				17,645	17,645
Utilities				11,533	11,533
Gardener				1,540	1,540
Toiletries				27,864	27,864
Unallowable Subtotal	-	-	-	\$ 58,582	\$ 58,582
Total	\$ 63,292	\$ 62,505	\$ 2,750	\$511,148	\$ 639,695

(1) Cost reimbursement contracts.

(2) Fixed-fee contracts. These are program expenditures for Contract Numbers H700968, H700967 and H700988.

Palms
For the

Residential Care Facility Chronically III (RCFCI)

December 17, 2008

The Honorable Mark Ridley-Thomas
Kenneth Hahn Hall of Administration
500 W. Temple St.
Los Angeles County Supervisor 2nd District
Los Angeles, CA 90012

Dear Supervisor Ridley-Thomas;

Enclosed is copy of Palms Residential Care Facility's (Palms) response to the Los Angeles County Auditor Controller's report. We appreciate your interest in this action taken by the Los Angeles County Office of AIDS Programs & Policy. As an agency in the 2nd District, we thank you for the opportunity to soon meet with you and your staff.

It was by your recommendation when you were the City of Los Angeles Councilman, that Palms was established to serve the south Los Angeles community. Were it not for your call to action, there would not today be an agency to serve those living with HIV/AIDS and substance abuse recovery.

Today, Palms has expanded from the 8 original HIV/AIDS designated beds to a total of 37 beds at 3 facilities and another 30 beds dedicated to substance recovery. We will soon expand the substance treatment program by approximately 33% and will break ground for a \$25,000,000.00 affordable housing project in the 2nd District. We take this opportunity to share with you the results of your vision to improve the services for the peoples of south Los Angeles.

I look forward to our meeting related to this matter. If you have any questions, please let me know.

Sincerely yours,



Kevin L. Pickett
President & CEO

Attachments: Letters of Palms start-up
Response to Auditor Controller

Directors

Dr. [Name], Esq.
President

Dr. [Name], Esq.
President

Board

Dr. [Name], Sr.
President, Neighborhood Crusade

Dr. [Name], Ph.D.
CEO, Southern California Mental Health
Institute, Inc.

Dr. [Name], M.D., MPH
Director, Ochs Clinic

Dr. Cecil "Cory" L. Murray
Palms Church

Dr. Richard Gray
Midway Hospital

MAIN OFFICE

8480 S. Figueroa Street
Los Angeles, CA 90003
Phone: (323) 751-3330
Fax: (323) 751-2478
Email: KPPALMS@AOL.COM

MT CARMEL TREATMENT

PALMS II-FOR WOMEN

MARILYN'S MANOR

PALMS RESIDENTIAL CARE FACILITY
RESPONSE TO AUDITOR-CONTROLLER REPORT

December 18, 2008

In response to your letter of November 3, 2008, following are the corrective steps taken by the Management of Palms Residential Care Facility to comply with the recommendations contained therein.

We will respond to the points contained in your letter by the numbers:

ELIGIBILITY

Recommendation

1. PALMS MANAGEMENT ENSURE CLIENT FILES CONTAIN DOCUMENTATION INDICATING THAT CLIENTS ARE SCREENED FOR MEDI-CAL, PRIVATE MEDICAL INSURANCE OR OTHER THIRD PARTY PAYERS PRIOR TO RECEIVING PROGRAM SERVICES AS REQUIRED BY THE COUNTY CONTRACT. CLIENTS ARE ELIGIBLE FOR SERVICE AFTER A FINANCIAL SCREENING HAS BEEN COMPLETED VALIDATING THAT OAPP FUNDS ARE THE PAYER OF LAST RESORT FOR THE CLIENT'S CARE.

Prior of the Auditor Controllers' report, Palms began a formal process to screen that clients have documentation indicating screening for Medi-Cal, private medical insurance and other third party payers. Attached of client information

CASH

Recommendation

2. PALMS MANAGEMENT ENSURE BANK RECONCILIATIONS ARE PROPERLY PREPARED WITHIN 30 DAYS OF THE BANK STATEMENT DATE FOR SOMEONE WITH NO CASH HANDLING OR BOOKKEEPING RESPONSIBILITIES AND REVIEWED BY AN APPROPRIATE LEVEL OF MANAGEMENT.

Bank statements have been reconciled from September 1 through November 30, 2008 and will be reconciled at December 31. Commencing on January 1, 2009 and Independent Contractor have been engaged to provide this service on a monthly basis. Contract for services and resume on file.

Response to Auditor-Controller-Page 2 of 5
December 18, 2008

REVENUE

Recommendation

3. PALMS MANAGEMENT ENSURE THAT ALL REVENUE RECEIVED ARE DEPOSITED INTO THE CORRECT ACCOUNT AND RECORDED IN THE AGENCY'S FINANCIAL RECORDS.

A new General Ledger has been created to commence January 1, 2009 with monthly Income and Expense reports to be provided to Management.

4 PALMS MANAGEMENT DISCONTINUE USING RESIDENT FEES FOR PETTY CASH PURCHASES.

Client petty cash accounts have been discontinued. An Agency petty cash account has been established governed by new procedures (copy attached).

EXPENDITURES

Recommendation

1. DPH MANAGEMENT WORK WITH COUNTY COUNSEL TO AMEND THE FIXED-FEE CONTRACTS TO INCLUDE LANGUAGE TO ALLOW THE COUNTY TO RECOVER PROGRAM FUNDS RELATED TO DISALLOWED AND UNDOCUMENTED PROGRAM EXPENDITURES.

Managed by Public Health

6. DHP MANAGEMENT DETERMINE THE IMPACT OF THE DISALLOWED AND UNDOCUMENTED EXPENDITURES ON FUTURE RESIDENTIAL CARE FACILITY FOR CHRONICALLY ILL RATE ADJUSTMENTS.

Managed by Public Health

7. PALMS MANAGEMENT REPAY DPH \$128,547; THE AMOUNT OF UNDOCUMENTED AND UNALLOWABLE PROGRAM COSTS RELATED TO THE COST REIMBURSEMENT CONTRACTS.

Meeting with Supervisor Mark Ridley-Thomas and their recommendation.

8. PALMS MANAGEMENT MAINTAIN SUPPORTING DOCUMENTATION FOR ALL OAPP EXPENDITURES INCLUDING ORIGINAL VENDER INVOICES AND RECEIPTS.

A new filing system has been created to maintain documentation for all OAPP expenditures including original vendor invoices and receipts.

9. PROVIDE AN EXPLANATION FOR THE POSSIBLE ALTERED INVOICES RELATED TO THE FACILITY MAINTENANCE AND REPAIR.

The CFO is no longer affiliated with the Agency as of September 3, 2008. These invoices were under her control.

Response to Auditor-Controller Page 3 of 5
December 18, 2008

10. PALMS MANAGEMENT ENSURE ALL INDEPENDENT CONTRACTORS' AGREEMENTS INDICATE THE SCOPE OF SERVICES AND DELIVERABLES, THE NUMBER OF HOURS TO BE WORKED AND AN AGREED UPON RATE OF COMPENSATION.

Independent Contractor contracts (see attached) will be negotiated to begin on January 1, 2009, with review at the end of each contract term (THREE MONTHS) to determine viability of continuing said contracts.

11. PALMS MANAGEMENT ENSURE ALL INDEPENDENT CONTRACTOR PAYMENTS ARE SUPPORTED BY TIME AND ATTENDANCE RECORDS. ALSO, INVOICES SHOULD DETAIL THE NATURE OF SERVICES PROVIDED.

Sign-in sheets have been created for Contractors at the time service is provided. All contractors must submit time sheets documenting service provided per each invoice.

12. PALMS MANAGEMENT ENSURE MILEAGE REIMBURSEMENT CLAIMS INCLUDE MILEAGE LOGS SHOWING DATE, DESTINATION, THE PURPOSE OF TRIP AND MILEAGE,

Employees do not use personal vehicles for company business; therefore no mileage is claimed or paid at this time.

13. PALMS MANAGEMENT ENSURE SUPPORTING DOCUMENTATION FOR TRAVEL EXPENDITURES INCLUDE THE DATE, RATES CLAIMED AND INFORMATION DETAILING THE PURPOSE OF THE TRIP.

Policy regarding travel has been developed (copy attached).

14. PALMS MANAGEMENT ENSURE THAT ONLY COSTS THAT ARE ALLOWABLE, NECESSARY, PROPER AND REASONABLE FOR CARRYING OUT THE PURPOSES AND ACTIVITIES OF THE OAPP PROGRAM ARE CHARGED TO THE PROGRAM.

See Chart of Accounts attached.

15. PALMS MANAGEMENT ENSURE THAT SHARED COSTS ARE REASONABLY DISTRIBUTED AMONG THE BENEFITING PROGRAMS.

Percentages have been established for all OAPP funds receive and applied. Breakdowns appear in the General Ledger, Income and Expense and Budget documents.

16. PALMS MANAGEMENT RECALCULATE THE LEASE AMOUNT BASED ON THE COST IN ACCORDANCE WITH OMB CIRCULAR LETTER A-122 AND REPAY DPH ANY AMOUNTS OVER BILLED.

As per OAPP correspondence (attached) Palms contracts must comply to OMB-133. We have never been notified in writing by OAPP to manage any contract under OMB Circular Letter A-122.

Response Auditor-Controller Page 4 of 5
December 18, 2008

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

Recommendations

17. ENSURE THAT OAPP FUNDS ARE KEPT SEPARATE AND NOT COMMINGLED WITH OTHER FUNDS.

Co-mingling of funds has been discontinued. New Payroll and General Expense (Vendor) accounts will be initiated on January 1, 2009. Expense recordation and allocation of funds will be accomplished through the General Ledger based on Budgets established for each contract.

18. ESTABLISH A PETTY CASH FUND TO PAY SMALL INCIDENTAL ITEMS AND MAINTAIN DOCUMENTATION TO SUPPORT EXPENDITURES.

See Item #4 above.

19. IMPLEMENT AN INTEGRATED ACCOUNTING SYSTEM TO ENSURE THAT ALL THE AGENCY'S FINANCIAL TRANSACTIONS ARE RECORDED.

See Items #3, #15 and #17.

20. PROVIDE OAPP AN EXPLANATION FOR THE CHECKS THAT WERE UNRECORDED OR WERE RECORDED IN THE INCORRECT AMOUNTS.

Efforts have been made to locate missing checks and corrections have been made to bank accounts. Amounts have been taken into consideration in reconciling back book to bank statements from September 2008 to November 30 and will continue to December 31, 2008. At this writing the check book is in balance with the bank.

21. ESTABLISH A CHART OF ACCOUNTS FOR CLASSIFYING TRANSACTIONS BY PROGRAM AND ACTIVITY.

See item #14 above.

22. HIRE QUALIFIED ACCOUNTING STAFF OR OBTAIN OUTSIDE PROFESSIONAL ACCOUNTING SERVICES TO ENSURE THE ACCOUNTING RECORDS AND FINANCIAL REPORTS ARE PREPARED TIMELY AND ACCURATELY.

An Independent Contractor has been engaged to assure monthly accounting records and financial reports are prepared in a timely and accurate manner. Bank reconciliations will be handled by this person to insure accuracy of check amounts and adherence to policies regarding co-mingling of funds. (contract & resume on file).

23. ENSURE THE BLANK CHECK STOCK IS KEPT SECURED AT ALL TIMES.

A locked file cabinet is in place to secure blank check stock.

24. REQUIRE TWO SIGNATURES ON ALL CHECKS. ENSURE THAT THE SECOND SIGNER IS SOMEONE INDEPENDENT FROM THE CASH RECEIPTS AND DISBURSEMENTS PROCESSES.

See Board Minutes attached.

Response Auditor-Controller page 5 of 5

25. REQUIRE PALMS' BOARD OF DIRECTORS TO DESIGNATE AN ALTERNATE CHECK SIGNER, PREFERABLY A BOARD MEMBER OTHER THAN THE DIRECTOR TO SIGN CHECKS ISSUED TO THE EXECUTIVE DIRECTOR.

See Board Minutes attached.

26. ENSURE THE BOARD OF DIRECTORS IS COMPOSED OF DIRECTORS IN ACCORDANCE WITH THE CALIFORNIA CORPORATION CODE SO THAT THEIR OVERSIGHT IS INDEPENDENT AND THEY CAN PERFORM THEIR FIDUCIARY DUTIES IN AN INDEPENDENT AND OBJECTIVE MANNER.

The President of the Board, who acts as the Executive Director serves without compensation.

FIXED ASSETS AND EQUIPMENT

27. PALMS MANAGEMENT PREPARE A FIXED ASSET/EQUIPMENT LISTING TO ACCOUNT FOR FIXED ASSETS AND EQUIPMENT PURCHASE WITH OAPP FUNDS.

To date no fixed assets have been purchased with OAPP funds. Should this change, a schedule reflecting these purchases will be prepared and maintained for reporting and audit purposes.

PAYROLL AND PERSONNEL

28. PALMS MANAGEMENT SUBMIT REVISED 1099 MISCELLANEOUS INCOME FORMS FOR TAX YEARS 2005 AND 2006 TO THE APPROPRIATE FEDERAL AND STATE AGENCIES USING THE CORRECT TAXPAYERS' SOCIAL SECURITY NUMBERS AND PROVIDE PDPH WITH COPIES OF THE FORMS SUBMITTED.

1099 Forms for 2005 and 2006 have been submitted as requested by D. Chadwick.

COST ALLOCATION PLAN

29. PALMS MANAGEMENT ALLOCATE EXPENDITURES ON A MONTHLY BASIS IN ACCORDANCE WITH ITS COST ALLOCATION PLAN.

Cost Allocation Plan submitted and approved by OAPP will be continued on a monthly basis.

We trust the above information responds to recommendations by the Auditor-Controller. We have taken positive steps to implement appropriate internal controls and funds handling. As stated we have terminated our association with individuals and have given a current employee more responsibility for billing and tracking of expenditures. The Independent Contractor on a semi-monthly or monthly basis as required and oversee the employee's performance of duties related to the billing and tracking of expenditures. This format will assist in checks and controls of our finance systems.

####

Attachment For #1

PALMS RESIDENTIAL CARE FACILITY

List of clients screened for Medi-Cal, Private Medical Insurance or other third party payers.

1. T.O. 4/2/08, assisted client for Medi-Cal PRUCOL application. Secured full scope Medical for client.
2. J.V. 9/8/08 secured /Medicare/Medi-Cal disability benefits.
3. Z.W. 8/19/08 secured Medical benefits
4. J. A. 9/2/08 secured Medi-Cal PRUCOL.
5. I.M. 10/9/08 working with client who has initiated the Medi-Cal process with another agency. Informed that application is in process.
6. C.H. 12/8/08 assisted client with application for Medi-Cal. Application submitted.
7. J.P. 10/28/08 client has Medical. Assisted client to secure replacement card.
8. K.L. 9/30/08
9. R.M. 8/26/08 working with client who has initiated the Medi-Cal process with another agency. Working with other agency for completion of application.
10. H.M. 8/1/08 Work with client and outside agency for completion of medical application. Application was approved.
11. R.J. 8/26/08 Assisted client with proper documents to maintain Medical & SSI benefits.
12. V.B. 7/8/08 Assisted client with Medical & SSI application. 9/23/08 assisting client with appeal process
13. R.N. 5/29/08 Assisted client with Medical & SSI application. Currently working with client on appeal.
14. G.B. 10/15/08 working with client who has initiated the Medi-Cal process with another agency out of state. Currently working with client on appeal.
15. G. T. 8/14/08 Assisted client with Medical application. Waiting for response.
16. D.E. Resident declined assistance-did not wish to share information
17. K.A. Offered assistance, client left program after brief stay.
18. M.A. Client not eligible.
19. S.H. Client had Medical when admitted.
20. K.R. Client had Medical when admitted.
21. D. J. Client had Medical when admitted.
22. K. W. Client had Medical when admitted.

Page 2 of 2 Palms Client screening

- 23. T. Z. Client had medical benefits when admitted.
- 24. D. T. Client started Medical application process with another agency.
Client wishes to manage process himself.
- 25. J.A. Client had Medical when admitted
- 26. C. S. Client had Medical when admitted
- 27. M. P. Not eligible for Medical.
- 28. D.H. Client had Medical when admitted
- 29. C. B. Client had Medical when admitted.
- 30. R. A. Not eligible for Medical.
- 31. R. S. Not eligible for Medical.
- 32. R. M. Not eligible for Medical.
- 33. J. T. Assisted client in completion of process. Secured Medical.
- 34. W.H. Client had Medical when admitted.
- 35. E. R. Client had Medical when admitted.
- 36. W. W. Not eligible for Medical.

Attachment For #4

Palms Residential Care Facility

Policies and Procedures

Petty Cash

Petty cash funds will be under the control of the Chief Operating Officer. This fund is to be used for purchases made in amounts for which it would be unnecessary to write a check.

The petty cash will be funded in the amount of \$100.00. Each expenditure will be explained on a form completed by the COO at the time the money is requested and will be verified by attaching the receipt for purchase to said form at completion of the transaction.

When the petty cash fund needs to be replenished, the COO will balance the account to the remaining cash, prepare a check request for the amount needed to bring the fund to the approved balance (\$100). A check will be drawn on the agency General Account and signed by the President.

Attachment For #10

INDEPENDENT CONTRACTOR AGREEMENTS

Whereas, **Palms Residential Care Facility (Palms)**, intends to contract

With: John Johnson (Independent Contractor-referred to as IC)

Commencing this day January 1, 2009 and ending on March 31, 2009.

Whereas the IC declares that IC is engaged to perform services for Palms Residential Care Facility and will comply with all federal, state and local laws and requirements

Including business permits, insurance, licenses of any kind that may be required to carry out the services and tasks to be performed under this agreement.

SCOPE OF WORK: Palms engages IC to perform the following services: Substance Abuse counseling services, these services include: one on one consultation/counseling with residents at Mt. Carmel Treatment Center Palms I and Palms II for Women. IC will attend meetings with Palms' staff, Palms' funders, California Community Licensing Division when required. IC will assist clients in recovery activities, lead group sessions, and other components of recovery programs

The rate for these services will be : \$ 15.00 per hour with a maximum of 140 hrs Per month.

REPORTING REQUIREMENTS:

With invoice :

A report will accompany the invoice and hours billed will be compromised with sign-in sheets.

TERMS OF PAYMENT: Palms will pay IC within 30 days of an approved invoice based upon performance of the above scope of work.

Initial of IC _____

Page 2 of 3 IC Contract Agreement

INDEPENDENT CONTRACTOR RESPONSIBILITIES:

No payroll or employment taxes will of any kind shall be withheld or paid with respect to payment to IC. It is the IC's responsibility of payment of income, self-employment, business related fees as required by law.

As the IC is an independently established business, the IC is not eligible for and shall not participate in any employee pension, health, disability or other fringe benefit plan that maybe available to employees.

No workers' compensation insurance or any other type of insurance, including, but not limited to, professional liability insurance has been or will be obtained by BPSC for the IC. It is the sole responsibility of the IC to secure or maintain their own insurance needs.

TRAINING:

Training will not be provided by BPSC for ICs. The IC must be compliant with their training as required by their license and or certification. All trainings needed, must be done on IC's own time.

EXPENSES:

IC expenses will not be reimbursed unless prior arrangements have been made and approved by the (Campaign Director?).

REPORTING:

Reporting requirements will be at the discretion of the BPSC Campaign Director or his/her designee. The reporting requirements will be based upon the scope of work. If the IC is required to submit a report, it is at the discretion of BPSC Campaign Director or his/her designee to require that the report be submitted with the invoice or monthly, quarterly, bi-annually, or as a final report.

CONFIDENTIALITY:

BPSC may from time to time communicate to the IC confidential and other information to enable the IC to effectively perform services as covered by this agreement. The IC shall treat all such information as confidential, whether requested to do so or not. All such information shall not be disclosed to any person without the written permission of BPSC. The IC shall only use such information to the extent necessary to perform the consulting services covered by this agreement.

Initial of IC _____

Page 3 of 3 IC Contract Agreement

ENTIRE AGREEMENT:

This is the entire agreement of the parties and no other representations, promises or agreements or otherwise shall be of any effect to this agreement. This agreement can be terminated with or without cause at any time by BPSC. IC can terminate this agreement in writing with 30 days notice to BPSC.

INDEPENDENT CONTRACTOR

Are you a U.S. citizen or permanent resident of the United States? Yes ____ No ____

NAME: _____ Social Security # _____

SIGNATURE: _____ Date: _____

PALMS RESIDENTIAL CARE FACILITY

NAME: _____ Title: _____

SIGNATURE: _____ Date: _____

INDEPENDENT CONTRACTOR AGREEMENTS

Whereas, **Palms Residential Care Facility (Palms)**, intends to contract

With: **Barbara Mealancon** (Independent Contractor-referred to as IC)

Commencing this day January 1, 2009 and ending on March 31, 2009.

Whereas the IC declares that IC is engaged to perform services for Palms Residential

Care Facility and will comply with all federal, state and local laws and requirements

Including business permits, insurance, licenses of any kind that may be required to carry

out the services and tasks to be performed under this agreement.

SCOPE OF WORK: Palms engages IC to perform the following services:

Case Management services, these services include: one on one consultation with residents at Palms I and Palms II for Women. IC will attend meetings with Palms' staff, Palms' funders, California Community Licensing Division when required. IC will assist clients in education of money management, Medi-Cal applications, benefits applications (GR, SSI, SSDI, etc), information of employment resources, continuing education (GED, collage, trade) resources, information on legal aid, cultural /religious/spiritual resources, and coordinate with staff to assist residents' in obtaining bus passes, access services and other transportation needs.

The rate for these services will be : \$ 18.50 per hour with a maximum of 160 hrs. Per month.

REPORTING REQUIREMENTS:

With invoice :

A report will accompany the invoice and hours billed will be compromised with sign-in sheets.

TERMS OF PAYMENT: Palms will pay IC within 30 days of an approved invoice based upon performance of the above scope of work.

Initial of IC _____

INDEPENDENT CONTRACTOR RESPONSIBILITIES:

No payroll or employment taxes will of any kind shall be withheld or paid with respect to payment to IC. It is the IC's responsibility of payment of income, self-employment, business related fees as required by law.

As the IC is an independently established business, the IC is not eligible for and shall not participate in any employee pension, health, disability or other fringe benefit plan that maybe available to employees.

No workers' compensation insurance or any other type of insurance, including, but not limited to, professional liability insurance has been or will be obtained by BPSC for the IC. It is the sole responsibility of the IC to secure or maintain their own insurance needs.

TRAINING:

Training will not be provided by BPSC for ICs. The IC must be compliant with their training as required by their license and or certification. All trainings needed, must be done on IC's own time.

EXPENSES:

IC expenses will not be reimbursed unless prior arrangements have been made and approved by the (Campaign Director?).

REPORTING:

Reporting requirements will be at the discretion of the BPSC Campaign Director or his/her designee. The reporting requirements will be based upon the scope of work. If the IC is required to submit a report, it is at the discretion of BPSC Campaign Director or his/her designee to require that the report be submitted with the invoice or monthly, quarterly, bi-annually, or as a final report.

CONFIDENTIALITY:

BPSC may from time to time communicate to the IC confidential and other information to enable the IC to effectively perform services as covered by this agreement. The IC shall treat all such information as confidential, whether requested to do so or not. All such information shall not be disclosed to any person without the written permission of BPSC. The IC shall only use such information to the extent necessary to perform the consulting services covered by this agreement.

Initial of IC _____

ENTIRE AGREEMENT:

This is the entire agreement of the parties and no other representations, promises or agreements or otherwise shall be of any effect to this agreement. This agreement can be terminated with or without cause at any time by BPSC. IC can terminate this agreement in writing with 30 days notice to BPSC.

INDEPENDENT CONTRACTOR

Are you a U.S. citizen or permanent resident of the United States? Yes____ No____

NAME: _____ Social Security # _____

SIGNATURE: _____ Date: _____

PALMS RESIDENTIAL CARE FACILITY

NAME: _____ Title: _____

SIGNATURE: _____ Date: _____

Attachment For #13

Palms Residential Care Facility

Policies and Procedures

Business Travel

Travel on behalf of Palms Residential Care Facility must be requested of
and pre-approved by the President/Executive Director in writing.

Any out-of-town travel requiring air travel, hotel accommodations and seminar or
other registration expenses will be arranged by the COO prior to travel date.
Receipts from airline and hotel verifying travel must be submitted to the COO upon
return from trip.

Per diem not to exceed a total of \$75.00 per day will be paid by Palms for out
of pocket expenses, i.e., meals, tips, taxis and transportation to and from airport.
No expenses will be paid without receipts verifying service amounts.

Attachment For #14

Chart of Accounts

Account	Type	Income Tax Line
1010 - PALMS GENERAL ACCOUNT	Bank	<Unassigned>
1020 - PALMS PAYROLL	Bank	<Unassigned>
1030 - Petty Cash	Bank	<Unassigned>
1200 - Furniture and Equipment	Fixed Asset	<Unassigned>
1210 - Accum. depr-furn & equip	Fixed Asset	<Unassigned>
1220 - Other Assets	Other Asset	Pt IV-B/S-Assets: Other assets
1230 - Security Deposits Asset	Other Asset	<Unassigned>
1300 - Accounts Payable	Accounts Payable	<Unassigned>
1310 - Wages & Payroll Taxes	Accounts Payable	<Unassigned>
1311 - SUI	Accounts Payable	<Unassigned>
1312 - FICA	Accounts Payable	<Unassigned>
1313 - FIT	Accounts Payable	<Unassigned>
1314 - SDI	Accounts Payable	<Unassigned>
1315 - SIT	Accounts Payable	<Unassigned>
1400 - Payroll Liabilities	Other Current Liability	<Unassigned>
1410 - Accrued Payroll	Other Current Liability	<Unassigned>
1420 - Accrued payroll taxes	Other Current Liability	<Unassigned>
1430 - Accrued oper expenses	Other Current Liability	<Unassigned>
1440 - Line of Credit	Other Current Liability	<Unassigned>
Opening Bal Equity	Equity	<Unassigned>
1600 - Direct Public Grants	Income	Pt I-Contribs: Direct public support
1601 - Corp & Bus Grants	Income	Pt I-Contribs: Direct public support
1602 - Fdn & Trust Grants	Income	Pt I-Contribs: Direct public support
1610 - Direct Public Support	Income	Pt I-Contribs: Cash contribs
1611 - Corporate Contributions	Income	Pt I-Contribs: Direct public support
1612 - Donated Prof Fees, Facil	Income	Pt I-Contribs: Noncash contribs
1613 - Gifts in Kind - Goods	Income	Pt I-Contribs: Cash contribs
1614 - Ind, Bus Contributions	Income	Pt I-Contribs: Direct public support
1615 - Legacies and Bequests	Income	Pt I-Contribs: Cash contribs
1800 - Government Contracts	Income	Pt VII-Income: (e)-Fees-gov agencies
1801 - Agency (Govt) Contracts	Income	Pt VII-Income: (e)-Fees-gov agencies
1802 - Federal Contracts	Income	Pt VII-Income: (e)-Fees-gov agencies
1803 - Local Govt Contracts	Income	Pt VII-Income: (e)-Fees-gov agencies
1803-1 OAPP	Income	<Unassigned>
1803-2 ADP	Income	<Unassigned>
1803-3 ADP-PROP. 36	Income	<Unassigned>
1803-4 CITY OF L.A.- HOPWA	Income	<Unassigned>
1803-5 LAHSA	Income	<Unassigned>
1804 - State Contracts	Income	Pt VII-Income: (c)-Fees-gov agencies
1804-1 SASCA/WALDEN HOUSE	Income	<Unassigned>
1804-2 CARALF	Income	<Unassigned>
1900 - Other Types of Income	Income	Pt VII-Income: (e)-Other revenue
1901 - Miscellaneous Revenue	Income	<Unassigned>

Chart of Accounts

Account	Type	Income Tax Line
2100 - Program Income	Income	Pt VII-Income: (e)-Membership dues
2101 - Program Service Fees	Income	Pt VII-Income: (e)-Program service rev.
2300 - Business Expenses	Expense	Pt II-Col(C)-Mgmt/Gen: Accounting fees
2301 - Business Reg Fees	Expense	<Unassigned>
2302 -Fines, Penalties,Judgmts	Expense	<Unassigned>
2303 -Taxes - Not UBIT	Expense	<Unassigned>
2304 - UBITaxes	Expense	Fm 990-T/Pt II-Deductions: Taxes and licenses
2500 - Contract Services	Expense	<Unassigned>
2501 - Accounting Fees	Expense	Pt II-Col(C)-Mgmt/Gen: Accounting fees
2502 - Legal Fees	Expense	Pt II-Col(C)-Mgmt/Gen: Supplies
2503 - Outside Contrt Services	Expense	<Unassigned>
2700 - Facilities and Equipment	Expense	Pt II-Col(C)-Mgmt/Gen: Occupancy
2701 - Depr and Amort - Allow	Expense	<Unassigned>
2702 - Donated Facilities	Expense	<Unassigned>
2703 - Equip Rental and Maint	Expense	Pt II-Col(C)-Mgmt/Gen: Occupancy
2704 - Janitorial Services	Expense	Pt II-Col(C)-Mgmt/Gen: Occupancy
2705 - Property Insurance	Expense	Pt II-Col(C)-Mgmt/Gen: Other expenses
2706 - Rent, Parking, Utilities	Expense	Pt II-Col(C)-Mgmt/Gen: Occupancy
2900 - Operations	Expense	Pt II-Col(B)-Program Svcs: Other expenses
2901 - Books, Subscrip, Ref.	Expense	Pt II-Col(C)-Mgmt/Gen: Other expenses
2902 - Postage, Mailing Service	Expense	<Unassigned>
2903 - Printing and Copying	Expense	<Unassigned>
2904 - Supplies	Expense	<Unassigned>
2905 - Telephone, Telecom	Expense	Pt II-Col(C)-Mgmt/Gen: Telephone
3100 - Other Types of Expenses	Expense	<Unassigned>
3101 - Advertising Expenses	Expense	<Unassigned>
3102 - Health Insurance	Expense	<Unassigned>
3103 - Insurance - Liab, D & O	Expense	<Unassigned>
3104 - Interest Exp - General	Expense	Pt II-Col(B)-Program Svcs: Interest
3105 - Other Costs	Expense	<Unassigned>
3106 - Staff Development	Expense	<Unassigned>
3300 - Travel and Meetings	Expense	<Unassigned>
3301 -Conference, Conv, Meeting	Expense	Pt II-Col(B)-Program Svcs: Conference/conventions...
3302 - Travel	Expense	Pt II-Col(B)-Program Svcs: Travel
5000 - Ask My Accountant	Other Expense	<Unassigned>

Attachment For #16



JONATHAN E. FIELDING, M.D., M.P.H.
Director and Health Officer

JONATHAN E. FREEDMAN
Chief Deputy

Office of AIDS Programs and Policy
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BOARD OF SUPERVISORS

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August 19, 2008

Kevin L. Pickett, President/CEO
Palms Residential Care Facility
8480 S. Figueroa Street
Los Angeles, California 90003

Dear Mr. Pickett:

FY 2007-08 FEDERAL AWARDS CONTRACT INFORMATION

As a requirement for receiving direct and pass through federal funding, the Office of AIDS Programs and Policy (OAPP) is providing each subrecipient with the following information regarding their federal awards: name of the Federal agency; Catalog of Federal Domestic Assistance (CFDA) title, award name and year, and CFDA number. Information specific to your agency's contracts with OAPP is listed below:

Federal Grantor/Program Title	CFDA #	Contract #	Services
<i>Health Resources & Services Administration (HRSA)</i>			
HIV Emergency Relief Project Grant – Part A Year 17 and Year 18	93.914	H-700967 H-700968	Adult Residential Facilities Substance Abuse, Residential Rehabilitation
<i>Centers for Disease Control (CDC)</i>			
HIV Prevention Project – Calendar Year 2007 and 2008	93.940	H-300564 H-700183	Community Development Initiative Faith Based Initiative

Please note that as a subrecipient of federal funding, you are expected to comply with all applicable requirements of OMB Circular A-133.

Attachment For #24

**Palms Residential Care Facility
Board of Directors Meeting
September 4, 2008**

Board Members In Attendance:

Kevin L. Pickett, President & CEO

Kevin McKesson, Treasurer

Jeff Greene, Member

President & CEO, Kevin Pickett called the meeting to order at 6:35PM. The minutes of the meeting of September 4, 2008 were approved.

Chief Executive Officer's Report::

Mr. Pickett informed the Board of the resignation of Sheila Alexander from the Board of Directors of Palms Residential Care Facility (Palms). Ms. Alexander also has resigned her position as Chief Financial Officer of Palms these resignations was effective immediately. Ms. Alexander will transfer all financial information to staff at Palms. The Board accepted the resignation.

It was recommended that Mr. McKesson also assume the role of Secretary. This was approved by the Board.

Mr. Pickett reported that Palms has instituted a new staffing pattern for three of the facilities. This new schedule has assisted in better management of the houses and compliance obligations.

Old Bussines:

Mr. Pickett, reported that the SASCA contract has been going very well. The program is compatibale with the current LAC Alcohol & Drug contracts. It was recommended that the program should be expanded. Mr. Pickett, indicated that Palms will need to apply to the State licensing for bed expansion. Mr. McKesson, inquired as to the program's guidelines and the cost of the program. Mr. Pickett stated that the program has been successful in its outcomes. If the program is expanded, the cost to run the program will not put additional strain on the budget. The SACS budget has been in balance since the beginning of the contract. The Board voted to have Palms apply to the State for the increase of beds at Mt. Carmel.

Mr. Greene inquired about the Thanksgiving Turkey give away and if staff has begun fundraising for the event. Mr. Pickett indicated that the former donors has express support again this year for the event.

New Business:

If was decided that Board members make recommendations for new members. Mr. Greene stated that he will chair this search.

The meeting was adjourned at 8:10PM.

Attachment For #25

Palms Residential Care Facility
Board of Directors Meeting
December 4, 2008

Board Members in Attendance:

Kevin L. Pickett, President & CEO

Kevin McKesson, Treasurer

Jeff Greene, Member

President & CEO, Kevin Pickett called the meeting to order at 6:05PM. The minutes of the meeting of September 4, 2008 were approved.

Chief Executive Officer's Report:

Mr. Pickett, reported that the SASCA contract has been going very well. The program is compatible with the current LAC Alcohol & Drug contracts. The State of California CCLD has conducted a site visit of Mt. Carmel and only minor facilities repairs were requested. The SASCA program will continue to be expanded. Palms have been working with SASCA staff to make programmatic changes to improve the program.

Old Business:

The Board discussed the response to the Auditor-Controller's report. It was decided the President & CEO will now serve without compensation. It was approved by the Board.

The Board then addressed the following items of the report:

#24 of the report-the Board voted that as the President & CEO serves without compensation, that 2 signatures are not required.

#25 of the report: The Board decided to take this under advisement.

#26 of the report: As the President & CEO receives no compensation; this was in compliance with California Corporation code. (State corporation code only requires 1 board member).

Mr. Greene, chair of the directors search process, indicated that he had 2 prospective board members and recommended that a meeting take place with each. This was agreed that Mr. Greene should schedule the meet & greet for after the holidays.

New Business:

None

The meeting was adjourned at 7:45 PM.